

AN EARLY SKIRMISH
in the
Global War Against Disease

Address to be delivered by John T. Connor, President, Merck & Co., Inc. before a conference on the Soviet economic offensive, sponsored by the International Management Division, American Management Association, Savoy-Hilton Hotel, New York City, at 11 a.m., November 6, 1958.

It may be helpful to you who are interested in the economic offensive of the Communist bloc if I explore the ramifications of a lively skirmish between the Russians and a single American company that took place recently about 9,000 miles east of New York.

I do not contend that this skirmish was typical, or even that it was inherently significant. But as we explore it, we will pick up the footprints of Soviet aggressors probing the defenses of freedom among the hungry, the sick and the hopeful in the underdeveloped parts of the globe.

Our story starts on a plane high above the Bay of Bengal at 11 a.m., Calcutta time, January 26, 1957. Two officials of an American pharmaceutical company, bound for New Delhi, were reading the latest report from India, handed them early that morning at the Bangkok airport. The report contained two surprises. One was an opportunity; the other, a threat.

The opportunity was a list of drugs, just announced, that

the Indian government wanted produced locally under its Second Five-Year Plan, in order to provide employment, build up native skills and save precious foreign exchange. From the point of view of these two men, the timing could not have been better. Anticipating this development, their company had sent them to India to try to negotiate an agreement to establish manufacturing facilities there. The officials ran quickly down the list, checking off the drugs their company could make and putting them in rough order of priority. By the time their plane reached New Delhi, they had worked out their strategy.

Their sense of urgency sprang from the threat in the report. A team of Soviet experts, having surveyed India's pharmaceutical needs, was on the spot, ready with a proposal to replace Western imports with a state-owned and managed drug manufacturing industry. As most of you in this room will instinctively understand, few situations could quicken the competitive pulse of an American business man more rapidly than a team of Russians in possession of the ball with first down and goal to go.

Now, before I tell you the outcome of this early skirmish in what is fast becoming a global war against disease, let me sketch in the background of the Soviet skirmishers. We have to start almost forty years ago. The civil war that followed in the wake of the Russian Revolution let loose a series of epidemics that killed several million persons, demoralized the country and threatened the hold of the new Communist government. The devastation of these epidemics taught Lenin the importance of human capital in the

development of a backward country.

Taking stock of the human capital at his disposal, Lenin discovered that Russia's death rate was nearly twice that of the West and that the average citizen had a life expectancy of only 40 years. Though there is no record that he was distressed from a humanitarian point of view, it is clear that the Soviet leader could translate these figures into national output. Financial capital for development of Russia, he knew, could come only from the production of the workers and peasants. First, they had to be educated and trained. If, after that investment, they were weakened by disease and doomed to a short life, the rate of capital accumulation would be so slow that the Communists would never build a modern industrial state short of a hundred years.

When Lenin acted on these conclusions, health became, along with education, the outstanding exceptions to the rule of human exploitation that has marked the Soviet Union since the beginning. For the past 40 years, the Russians have been campaigning for better sanitation, public health and preventive medicine. They have been diverting scarce materials for hospitals, clinics and medical schools. And they have been turning out enormous numbers of new doctors; their current annual rate of 16,000 is more than twice that of the United States.

What have been the results? They startled me, when I first learned them. I shall not go into the reasons for being skeptical of official Soviet statistics. I shall merely report

them with two comments: first, that the ones I am about to use seem to be within the realm of probability, and, second, that we have gone further astray when we ignored Russian claims than when we took them seriously. The number of hospital beds per thousand population, according to these statistics, multiplied four and a half times between 1913 and 1956. The per capita number of doctors jumped ten times - from about 17 for each 100,000 Russians before World War I to about 164 in 1956. The comparable figure for the United States that year was only 130. This means that, in proportion to the population, which in their case is just over 200 million, the Soviet Union now has 25% more doctors than we. Though their quality is still well below ours, we cannot feel smug about the future.

This mammoth Soviet health establishment now boasts 2,750,000 employees and is one of the Communist Party's proudest achievements. What has it been able to accomplish? The best single measures of a nation's physical well-being can be found in the mortality and longevity rates. The Kremlin recently broke its long silence on this subject and announced the figures. Let's take a look at them.

The Soviet Union, the announcement said, had raised the health of its people up to the level of the West. It had slashed the crude mortality rate about 75% since before the Revolution and by 1956, at 7.7 per 1,000 population, it was comparable to ours. At the same time, it had lengthened average life expectancy from

about 40 years at the beginning of World War I to a claimed 67 years in 1956. This was within reaching distance of longevity in the United States, which in the same year stood at 69.5.

This is an extraordinary achievement. What does it mean? Some persons will say that it is a natural consequence of industrialization. The Soviets have already told us, as you might expect, that it is a natural consequence of Communism - a claim, incidentally, that is effectively destroyed by the even more spectacular health progress of our own capitalist neighbor, Puerto Rico, which added 50% to the average length of life in only 15 years.

What it means to me is something else. It means that the Bolshevik planners were right when they decided to pour enormous effort into their human capital on the theory that better health as well as better education would have to precede better output. This is a point that we often overlook in our own plans for the underdeveloped countries. We tend to think too much, I believe, in terms of dams and roads, farm machinery and steel mills, money and credit and not enough in terms of the people who will build them and for whom they are to be built.

Because of our concentration on physical and financial capital, we are inclined to forget the importance of human capital, which is both the means and the end of industrialization. This concept of the relation between human capital and economic growth could turn out to be decisive as the Soviet sets forth to meet the rising expectations of Asia, Africa, the Middle East and even

Latin America with a program of health, development and Communism.

This brings me back to the skirmish in New Delhi with which I opened this talk. The two gentlemen, as you doubtless had surmised, were officials of Merck Sharp & Dohme International, a division of my own company, Merck. In common with most of the pharmaceutical industry, Merck Sharp & Dohme is no stranger to international business. It is selling today in 80 foreign countries, in 11 of which it has manufacturing plants. Out of total company sales of nearly \$200 million last year, 27% were outside the United States.

Merck, however, had never been up against quite the situation that confronted these two men when they arrived, after proper introductions from Ambassador Bunker's helpful staff, at the Ministry of Commerce and Industry. They were immediately confronted with two problems: first, Russian competition, and second, a danger that the Indian government would build its new pharmaceutical industry in what is called "the public sector", which means that it would be state-owned and controlled.

After the formal atmosphere had been thawed by some frank conversation, it turned out that the Indians were glad to see these Americans. Near the top of their list were facilities for the production of streptomycin and its important derivative, dihydrostreptomycin, both of which Merck had pioneered.

The streptomycins were vital to India because they are leading drugs in the treatment of tuberculosis. TB is one of the

great scourges of Asia. It kills more than half a million Indians a year. More than five times that many are currently suffering from it. The Director of the Central Drug Research Institute in Lucknow recently estimated that this disease cost his nation almost a billion man-days of lost work per year.

Here is a typical problem of an underdeveloped country, desperately trying to raise the standard of living of its people against considerable odds. A disease like TB not only kills enormous numbers but it saps the will and the ability to work, forcing countless human beings to live off the production of others.

The rout of the debilitating disease of tuberculosis, therefore, ranks high among the objectives of India's second five-year plan. To reach their goal, the Indians need, among other things, the modern drugs with which we in this country have cut our TB death rate down to about a fifth of what it was before World War II. India has been importing these drugs from the West at a cost of millions of dollars annually in precious foreign exchange.

Just before the two men from Merck arrived on the scene, the team of Russian experts had recommended that India build a state-owned basic chemical-pharmaceutical manufacturing industry to free itself from dependence on the West. It would--though this had not yet been made explicit--be designed by Soviet engineers, financed by Communist bloc loans, and, of course, politically

motivated. Every rouble that goes through the Iron Curtain is bound on a political mission. In this case, the mission would be to build a showcase to display Communism as the friend of the sick and disabled.

Within this context, the meeting between Merck and the Indian government representatives quickly produced a proposal. The Indians suggested we go into partnership with a government-owned corporation to produce a long list of needed drugs. In view of the realities of the situation, we agreed to consider this proposal, even though it meant indirect partnership with Socialism. Our refusal to be rigid and our willingness to look at India's problems from the Indian point of view have, I believe, been major contributing factors installing the Russian offensive for almost two years.

The Indians have not been rigid, either. Though they are extremely good at bargaining, they have always been willing to take our problems into account, and we have found integrity, frankness and fairness in all our contacts with the Indian Government.

The Indian proposal, in the end, proved impractical from our point of view, mainly because we thought there would be too many basic conflicts of interest in a partnership with a government agency in such a broad enterprise. But we were able to offer them a creative alternative. We split the problem into two parts. The first is an agreement that was signed last April. Under it, we are

now helping the Indians build what will probably be the most modern streptomycin plant in the world.

The plant will be owned by Hindustan Antibiotics, a government corporation already producing penicillin by the fermentation process. It will be built with our plans and the help of our engineers, and it will be operated by Merck-trained Indian technicians using our know-how. The needed machinery and equipment will be financed by means of a loan from the U.S. Export-Import Bank. This new plant will supply all the country's requirements for the drug at an initial saving of nearly \$2.5 million annually in foreign exchange. For our help, we are receiving a modest fee to be paid out of sales over a period of ten years.

Under the second agreement, which was just announced three days ago, Merck and a partner, the well-known Indian firm, Tata Sons Private Limited, will set up a new corporation to manufacture several Merck specialties, such as vitamin B₁₂, certain steroid hormones, our new drug, 'Diuril', and other discoveries as they come from our own laboratories and are needed in India. We will build a basic medicinal chemical plant, and, as far as possible, use indigenous materials. Our part of the capital investment will be about \$3,500,000, and we expect to earn a reasonable profit from the operations.

We will be criticized - perhaps by some persons in this room - because we are helping build a streptomycin plant in the

public sector. If it succeeds - and we are doing our best to make it a success - won't this encourage the Indians to produce more medicines and other products in the public sector?

We took a long, hard look at this question before we made our decision. It is not easy for a believer in private enterprise to swallow a Socialist deal. There are several reasons why we did it.

First, this is the way the Indians wanted it. They made this perfectly clear to us after we had done our best to dissuade them. We finally concluded that, if we really meant to help the Indians, we would have to help them in the way they wanted to be helped. To have insisted that we do it our way or not at all would have been transparently arrogant, a quality the Asians find less than endearing, as is so dramatically illustrated in the revealing new novel, "The Ugly American."

Second, by devising our plan, we forestalled the Russians, who, in the midst of our negotiations, offered the Indians a \$20 million, 40-year loan at the incredibly low interest rate of 2% to finance several basic units for a pharmaceutical-chemical industry, including a streptomycin plant. I used the word "forestalled" because the Soviets have not given up. They are making new proposals to India and may still build some plants in this industry.

Third, our willingness to be flexible enough to adapt our resources to their needs undoubtedly helped make Merck seem a

reasonable company with which to do business in the private sector. The fact is, we now will build a private sector pharmaceutical and medicinal chemical plant. Other Western producers in our industry are doing the same. There is therefore a possibility that what started out to be a government-owned industry may end up being mostly in the private sector. This will probably hinge on whether we and the other producers do a good job for India.

Let us remember that some people in this world have a hard time believing that the American corporation deserves a major share of the credit for the social benefits and the high standard of living that we enjoy in the United States. They have known businessmen mainly as traders and exploiters, which is perhaps part of the explanation why so many countries have turned to Socialism. If we can perform as well in the underdeveloped countries as we have at home, and do it with humility and understanding, perhaps we can persuade them that we have found a way of improving the welfare of their citizens, that makes Socialism obsolete.

In reality, what we have done in India is only a small beginning. I have told the story about it, not because I think it is significant but in the hope that it might suggest a few useful ideas that you could adapt to fit the problems and opportunities your own company and industry are facing in the underdeveloped countries.

Our big job, however, is not just to sell understanding of private enterprise; our big job is to sell freedom. We are in the midst of a war that stretches eastward almost all the way around the globe. It is not a cold war; that adjective describes nothing but the absence of shooting. It is a war against poverty and disease. In the past few years, the rising expectations of the peoples of Asia, Africa, the Middle East and Latin America for a better and a longer life have become the most dynamic human force at work in the world today. Four years ago it lured the Soviet Union out of its lair and the West now finds itself pitted against the Communist bloc in a struggle to see which system can do a better job of economic and social development.

The Soviet economic offensive is being more than adequately described by the other participants in this conference, so I shall confine myself to the coming Russian drive on the other front - the war against disease - an opening skirmish of which we have seen in India.

The Soviet is at least as well equipped medically as it is economically to match us in the underdeveloped countries. It already has 25% more doctors in relation to the population than we have and its medical schools are still producing new ones at the rate of 16,000 a year compared with our 7,000. All its physicians and other health personnel work for the State and can be sent where the Kremlin thinks they should go, in or outside the country. The Russian doctor's training in foreign languages and his familiarity

with relatively crude living and working conditions put him in a better position than his American counterpart to adapt to service in most parts of Asia or Africa.

And when this well-staffed army sallies forth from its borders -- as it will -- carrying the nostrums of communism in its medical kit, it will have a proposal to make that could be quite appealing. Reorganize your state along our lines, the proposal would go, and you, too, can do what we did -- make the fastest progress in health achieved by any large nation in modern times.

This may not seem appealing to many in this room. But what about someone who was born with a life expectancy of only 35 years and who can never forget that Death may visit him or his family at any time, and does, without even bothering to knock on the door? Most of mankind is surrounded by sickness and is helpless against disease. Whoever provides the tools to fight it will earn the gratitude and might win the allegiance of the multitude.

The Soviets, at no cost to their ideals, can set out to buy the allegiance of people with the promise of good health, because they believe that the end justifies the means. But we cannot. We cannot deflect our great system of medicine from its historic mission - service to humanity - and use its fruits to buy the allegiance of anybody to anything - even to the United States or to the noble idea of freedom.

The population of a large area of Burma feels friendly toward the United States today because of the activities of a single American - Dr. Gordon Seagrave, the famed "Burma Surgeon". He won this friendship for his country not so much by the healing he dispensed as by the way he did it, and most important, the concern for the individual that was so transparently his motivation.

It might be argued by some that we should not concern ourselves with what might appear to be only the fine points of philosophy when we are in the midst of a long, tough fight for survival against a ruthless enemy. But in the long run we can win only if we concentrate more on what we are fighting for - which is the rights of man - than on what we are fighting against.

We can win if we can learn how to export the spirit of the West, not just the material creations of the society that was built with that spirit. Charles Malik, the Lebanese philosopher who is now President of the UN General Assembly, put it this way in a magnificent address at the Harvard Business School in September:

"Freedom, independence, respect, equality, fellowship - these spring from the inmost soul of the Western tradition; and the question is how much the West can be existentially true to them. And there is in the faithful observance of these things all that is needed, and more, to meet the challenge of Communism."

The faithful observance of the things that Dr. Malik mentions requires, it seems to me, that we export American medicine to the underdeveloped countries and that we do it in the form that

it is wanted by them, in a modest desire to share our good fortune and with no strings attached.

As we all know, we have been doing precisely this for several generations now. Medical missionaries established clinics in these areas before the turn of the century. They were followed by the foundations, notably Rockefeller, and by scores of individuals, such as Dr. Thomas Dooley. The Russians have only just begun, and, as I have pointed out, they are there for a different reason.

The haphazard system we have used in the past has been made obsolete by the speed of events - the advent of the Soviets and the rapid rise in the expectations of the peoples in this area. The logic of survival requires that we now make a concerted effort on a broad front. As a beginning, I should like to suggest the following:

1. Alert the public to the challenge of Soviet medicine in the underdeveloped countries. Intelligent and sustained action will have to be based on public understanding. The facts about Soviet progress in medicine and about Russian moves in the underdeveloped countries should be more widely known. One way to do this would be through a Commission of leading experts who would find the facts and report them. This could be done under private auspices, such as the Rockefeller Brothers Fund, which has recently produced several high quality reports on other public issues.

2. Develop a bold new foreign medical aid program of our own. This can be built around the excellent bill that Senator Lister Hill and Congressman John Fogarty introduced at the end of the last session of Congress to set up an international medical research program. Their bill might be enlarged to provide for scholarships and fellowships in the United States to train students from the underdeveloped countries who would then return home to practice and teach as well as do research on the indigenous diseases that plague their native lands.

Several agencies of the federal government are developing a program for the next session of Congress. Part of it should be, I think, continued and expanded support of World Health Organization activities in the underdeveloped countries.

We need at the same time to enlarge our own facilities for medical education so that we can take care of added foreign students and also train American doctors for service abroad.

3. Support private organizations that are working in the foreign medical field. In many ways non-governmental agencies, such as Medico, the People-to-People program, Dr. Howard Rusk's World Rehabilitation Fund, The World Medical Association, Columbia University's newly-formed Institute of Nutrition Sciences and several of the foundations, with help from our medical profession and our medical schools, are or can be more effective as

emissaries of our way of life than official bodies. Though the job to be done is too enormous to be carried out through private support alone, these agencies, which can be more imaginative and flexible than government, will serve the additional purpose of pioneering promising new projects.

4. Encourage participation by our pharmaceutical industry. It is in the interests of firms such as ours as well as of the government for the two to work together on a program that would make more drugs available in these countries. In many countries the commercial incentives are strong enough for pharmaceutical firms to take the financial risks themselves. In such cases, support such as the State Department gave Merck throughout its negotiations in India would be helpful. But in some countries, where private incentives are inadequate, the alternative to Russian plants in the public sector is some form of U. S. government help to make the know-how of American corporations available.

In this connection, we should explore the merits of the imaginative plan proposed by Dean Donald David at the 50th anniversary of the Harvard Business School. He suggested that Federal funds be used to retain corporations, rather than just individual technicians, to build foreign facilities or even develop whole industries in areas where the risk is too great or the reward too small to justify the use of private capital. As Dean David pointed out, this is the way we tooled up to win World War II.

A global war against disease is a vast undertaking. At this stage of public awareness and with the resources presently at our command, we can make only a small beginning, which is why the program outlined above is a modest one. But the urgency of the problem in the underdeveloped countries requires that we make an immediate start.

When we do, we should do it, not because we are worried about what the Soviet Union will do, but because we cannot abandon these people to a mortality rate that is twice our own and a life expectancy of only 35 years.

We should do it because the day has passed when either a man or a country can live with either moral comfort or physical safety on an island of plenty and good health surrounded by a sea of poverty and sickness.

We should do it in the hope that loosening the bonds that bind most of mankind to hunger and disease will be a major step in helping to liberate the human spirit.